

Agenda Date: July 31, 2000

Item Number:

Docket: UG-000993

Company: Puget Sound Energy (Gas)

Staff: Mike Parvinen, Policy Research Specialist
Yohannes Mariam, Rate Research Specialist

Recommendation:

Allow the filing in Docket UG-000993 to become effective on August 1, 2000, as filed.

Discussion:

On June 28, 2000, Puget Sound Energy (PSE) filed a commodity only Purchase Gas Adjustment (PGA) with tariffs carrying an effective date of August 1, 2000. The result of the tariff pages for the PGA is an increase in annual revenues of \$142,600,799 (30.24% increase to impacted customers, 28.73% total Company revenues).

Background:

PSE gas serves approximately 602,000 customers in parts of Washington including King, Snohomish, Pierce, Thurston, Lewis, and Kittitas Counties. Service is provided using resources from two interstate pipelines, two underground storage fields, as well as gas supplies from Canada, the Rockies, and the Southwest. The Commission has received two letters from customers opposed to the increase as of July 25, 2000.

The PGA mechanism is designed to pass on actual gas costs to customers. The PGA establishes for the upcoming year what the best projection is going to be for the cost of gas. The difference between the projected cost and the actual cost is deferred and amortized back to customers with interest, whether it be a refund or surcharge. PSE last filed its PGA and Deferral Amortization with an effective date of November 1, 1999. PSE will continue to monitor gas prices and evaluate the need for possible changes in the Fall when the deferral amortization rates will be trued-up.

PGA (Estimated Future Gas Costs):

There are two components that go into determining prospective gas costs. One is commodity costs, which are for the actual usage of gas supply, the transportation of the gas, and/or the usage of storage. The other component is demand costs. Demand charges are for the right to take gas, right to use the pipeline, and/or right to use storage. Commodity prices are increasing by \$142,600,799 while revenues to recover demand charges are not being changed at this time for simplicity and rate change insignificance. Commodity prices are very market driven. The market remains high and forecasts show little sign of relief through the winter season. The

proposed Weighted Average Cost of Gas (WACOG) is \$.46621 (\$.36348 commodity, \$.10273 demand).

Summary:

The effect of the PGA filing will result in the following per unit and overall revenue increase for the following sales schedules:

	Per Therm <u>Change</u>	Annual Rev <u>Change</u>	Percent <u>Change</u>	Avg Monthly <u>Bill Increase</u>
Residential	\$.16731	\$ 82,155,546	27.54%	\$ 13.23
Commercial & Indust.(Avg)	\$.16731	\$ 43,131,109	32.09%	\$ 70.23
Large Volume (Avg)	\$.16731	<u>\$ 17,314,144</u>	44.24%	\$1,301.59
Total		\$142,600,799		

Conclusion:

Staff has reviewed the company's methodology and calculations regarding the forecasts of average gas purchase price and found them reasonable. Staff recommends that the filing be allowed to become August 1, 2000, as filed.